



HF 2 – School Foundation Percentage Increase (LSB 1496YH)

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Fiscal Note Version – New

Description

House File 2 increases the State-funded percentage of the school aid foundation level over a five-year period beginning in FY 2014 until reaching 100.0% in FY 2018. Additionally, the Bill requires, beginning in FY 2017, the sales/use tax for school infrastructure currently transferred to the Property Tax Equity and Relief (PTER) Fund for property tax relief in the school aid formula to be transferred to the Taxpayer Trust Fund.

Background

Increasing the school aid foundation level percentage increases the General Fund portion of State aid and reduces the property tax portion of the State cost per pupil in the operation of the school aid formula. In FY 2013, the State cost per pupil is \$6,001, with State aid and the uniform levy accounting for \$5,251 (87.5%) and the additional levy accounting for \$750 (12.5%) of the per pupil level. The allowable growth rate established each year will have an impact on the overall cost of increasing the foundation level for the period of FY 2014 to FY 2018. The following tables provide the impact of the per pupil funding foundation levels at 0.0% and 4.0% for FY 2014 through FY 2018.

State and Foundation Level Cost Per Pupil: With 0.0% Allowable Growth Rate FY 2014 – FY 2018

	Allowable Growth Rate	State Cost Per Pupil	Current Law - Per Pupil Foundation Level			Proposal - Per Pupil Foundation Level		
			Foundation Level Percentage	State Aid/Uniform Levy Portion	Additional Levy Portion	Foundation Level Percentage	State Aid/Uniform Levy Portion	Additional Levy Portion
FY 2014	0.0%	\$ 6,001	87.5%	\$ 5,251	\$ 750	90.0%	\$ 5,401	\$ 600
FY 2015	0.0%	\$ 6,001	87.5%	\$ 5,251	\$ 750	92.5%	\$ 5,551	\$ 450
FY 2016	0.0%	\$ 6,001	87.5%	\$ 5,251	\$ 750	95.0%	\$ 5,701	\$ 300
FY 2017	0.0%	\$ 6,001	87.5%	\$ 5,251	\$ 750	97.5%	\$ 5,851	\$ 150
FY 2018	0.0%	\$ 6,001	87.5%	\$ 5,251	\$ 750	100.0%	\$ 6,001	\$ -

State and Foundation Level Cost Per Pupil: With 4.0% Allowable Growth Rate FY 2014 – FY 2018

	Allowable Growth Rate	State Cost Per Pupil	Current Law - Per Pupil Foundation Level			Proposal - Per Pupil Foundation Level		
			Foundation Level Percentage	State Aid/Uniform Levy Portion	Additional Levy Portion	Foundation Level Percentage	State Aid/Uniform Levy Portion	Additional Levy Portion
FY 2014	4.0%	\$ 6,241	87.5%	\$ 5,461	\$ 780	90.0%	\$ 5,617	\$ 624
FY 2015	4.0%	\$ 6,491	87.5%	\$ 5,680	\$ 811	92.5%	\$ 6,004	\$ 487
FY 2016	4.0%	\$ 6,751	87.5%	\$ 5,907	\$ 844	95.0%	\$ 6,413	\$ 338
FY 2017	4.0%	\$ 7,021	87.5%	\$ 6,143	\$ 878	97.5%	\$ 6,845	\$ 176
FY 2018	4.0%	\$ 7,302	87.5%	\$ 6,389	\$ 913	100.0%	\$ 7,302	\$ -

Assumptions

Estimates assume:

- Static enrollments and weightings for FY 2014 through FY 2018.
- Enrollments are based on final certified enrollments from October 2012. Supplementary and special education weightings are based on preliminary data from the fall of 2012.
- Enactment of allowable growth rates will have an impact on the amount of State aid required to fund the Bill. The fiscal impact provides a range between enactment of 0.0% and 4.0% allowable growth rates for FY 2014 through FY 2018.
- The amount of sales/use tax for school infrastructure revenues transferred to the PTER Fund for FY 2014 is \$8.7 million. This fiscal note assumes no growth in those funds for FY 2018. Additionally, beginning in FY 2016, the amount of sales/use tax for school infrastructure transferred to the PTER Fund will instead be transferred to the Taxpayer Trust Fund. However, because the final amount transferred is not finalized until after the fiscal year, the initial transfer of these funds will occur in FY 2017.
- In addition to the sales/use tax for school infrastructure revenues transferred to the PTER Fund, there is also a \$24.0 million General Fund appropriation in the school aid formula to provide property tax relief to school districts. This appropriation will be eliminated beginning in FY 2018 and will reduce the estimated cost by \$24.0 million.
- The total property tax adjustment aid is assumed at \$32.7 million for FY 2014 through FY 2018, but it is not reflected in the following tables. Under the proposal, these funds will remain in place in until FY 2017. At a 100.0% foundation level, the need for the property tax adjustment aid mechanism and funding amount will no longer be needed.

	Foundation Level Percentage	Proposal - Foundation Levy Amount	Current Law - Foundation Levy Amount	Proposal - State Aid Increase (Property Tax Decrease) Compared to Current
FY 2014	90.0%	\$ 330.3	\$ 412.9	\$ 82.6
FY 2015	92.5%	247.7	412.9	165.1
FY 2016	95.0%	165.1	412.9	247.7
FY 2017	97.5%	82.6	412.9	330.3
FY 2018	100.0%	0.0	412.9	412.9

	Foundation Level Percentage	Proposal - Foundation Levy Amount	Current Law - Foundation Levy Amount	Proposal - State Aid Increase (Property Tax Decrease) Compared to Current Law
FY 2014	90.0%	\$ 343.5	\$ 429.4	\$ 85.9
FY 2015	92.5%	267.0	444.8	177.8
FY 2016	95.0%	184.4	461.3	276.9
FY 2017	97.5%	95.8	478.9	383.1
FY 2018	100.0%	0.0	497.6	497.6

Fiscal Impact

At an allowable growth rate of 0.0% for each year (FY 2014 – FY 2018), the estimated State aid increase (property tax reduction amount) and corresponding General Fund expenditure increase will be \$82.6 million each year. However, in FY 2018, the overall General Fund cost will be \$58.6 million due to the elimination of the \$24.0 million appropriation for property tax adjustment aid. At a 4.0% allowable growth rate each year, the estimated General Fund cost will be \$85.9 million in FY 2014, \$91.9 million in FY 2015, \$99.1 million in FY 2016, \$106.2 million in FY 2017, and \$90.5 million in FY 2018.

Beginning in FY 2017, the estimated amount transferred to the Taxpayer Trust Fund from the sales/use tax for school infrastructure will be \$8.7 million.

Estimated Fiscal Impact of HF 2				
(Dollars in Millions)				
	Net General Fund Impact		Taxpayer Trust Fund Change in Revenues	
	0.0% Allowable Growth Rate	4.0% Allowable Growth Rate		
FY 2014	\$ -82.6	\$ -85.9	N.A.	
FY 2015	-82.6	-91.9	N.A.	
FY 2016	-82.6	-99.1	N.A.	
FY 2017	-82.6	-106.2	\$	8.7
FY 2018	-58.6	-90.5		8.7

Sources

Iowa Department of Management, School Aid file
Iowa Department of Education, Certified Enrollment and Preliminary Weighting files
Legislative Services Agency analysis and calculations

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
